

**Department of Commerce FY 2000/2001 CFO Guidance
Annual Financial Statements**

I. General

The following reporting entities (hereinafter referred to as bureaus) are required to prepare financial statements:

- Bureau of Export Administration
- Bureau of the Census
- Economic and Statistics Administration & Bureau of Economic Analysis
- Economic Development Administration
- General Administration - Franchise Fund
- General Administration - Gifts and Bequests Fund
- General Administration - Office of the Inspector General
- General Administration - Salaries & Expenses Fund
- General Administration - Working Capital Fund
- International Trade Administration
- Minority Business Development Agency
- National Institute of Standards and Technology
- National Oceanic and Atmospheric Administration
- National Technical Information Service
- National Telecommunications and Information Administration
- Patent and Trademark Office
- Technology Administration

Management Responsibility and Authority: Financial statements are to be prepared at the direction of the head of the operating unit, with the advice and assistance of financial management staff, to help ensure fair presentation and adequate disclosure. When a cross-servicing agreement exists, the manager who signs the management representation letter for the annual financial statements is responsible for coordinating the preparation of the statements, even where accounting services are provided by another bureau or agency. However, any organization that provides accounting services on a reimbursable basis is responsible for preparing its portion of the financial statements.

OFM's bureau liaisons will be the primary contact persons for the bureaus. Bureau submissions should be delivered to your bureau liaison via e-mail, fax, interoffice mail, etc.

GAO Checklist: The General Accounting Office's (GAO) "Checklist for Reports Prepared Under the CFO Act" (Checklist) may be useful to the bureaus. Please note that the current version (October 1998) of the Checklist does not reflect the amendments to OMB 97-01, *Form and Content of Agency Financial Statements*, or all of the Federal Accounting Standards Advisory Board standards effective for the FY 2000/2001 financial statements.

Adherence to Deadlines: Deadlines for bureau submissions are included in **Attachment G**. A major factor in obtaining an unqualified (clean) audit opinion for the Department-wide financial statements is ensuring that bureau audits stay on time. Any bureau audits that fall behind risk the possibility of a scope limitation and a subsequent disclaimer of opinion by the bureau's auditors. Since the preparation of the Department-wide financial statements and the subsequent audit opinion relies on the cumulative results of the bureau audits, any one bureau that falls behind may delay the entire Department and may adversely affect the Department's audit opinion. It is also important that OFM receive accurate information about the status of the audits and any potential delays in the submission of data. If it appears that the bureau will not be able to meet the overall due dates, please contact your bureau liaison as soon as possible to arrange due dates which can be achieved without significant delay to the preparation of the Department-wide financial statements. Adherence to the deadlines will be reinforced by Heads of Operating Units and CFOs, and will be monitored by OFM.

Financial Statements/FACTS Tie-Points Form: Bureaus are required to submit this form (**Exhibit 6**) along with the draft financial statements, and, for the final financial statements, one day after the Federal Agencies' Centralized Trial Balance System I (FACTS)/FACTS Notes submissions.

II. Form and Content

Generally Accepted Accounting Principles (GAAP)

Upon their adoption by OMB, Federal Accounting Standards Advisory Board (FASAB) standards are binding on Federal agencies and constitute GAAP. The following FASAB Statements of Federal Financial Accounting Concepts (SFFAC), Statements of Federal Financial Accounting Standards (SFFAS), and Statement of Recommended Accounting Standards (SRAS) are applicable to Federal agencies for FY 2000 and FY 2001:

- SFFAC 1 Objectives of Federal Financial Reporting
- SFFAC 2 Entity and Display
- SFFAC 3 Management's Discussion and Analysis - Concepts

- SFFAS 1 Accounting for Selected Assets and Liabilities
- SFFAS 2 Accounting for Direct Loans and Loan Guarantees
- SFFAS 3 Accounting for Inventory and Related Property
- SFFAS 4 Managerial Cost Accounting Concepts and Standards
- SFFAS 5 Accounting for Liabilities of the Federal Government
- SFFAS 6 Accounting for Property, Plant, and Equipment
- SFFAS 7 Accounting for Revenue and Other Financing Sources
- SFFAS 8 Supplementary Stewardship Reporting
- SFFAS 10 Accounting for Internal Use Software (amends SFFAS 6) **[effective FY 2001]**
- SFFAS 11 Amendments to Accounting for PP&E: Definitions (amends SFFAS's 6 and 8)
- SFFAS 12 Recognition of Contingent Liabilities from Litigation (amends SFFAS 5)
- SFFAS 13 Deferral of Paragraph 65.2 - Material Revenue-Related Transactions (amends SFFAS 7)
- SFFAS 14 Amendments to Deferred Maintenance Reporting (amends SFFAS's 6 and 8)
- SFFAS 15 Management's Discussion and Analysis - Standards
- SRAS 16 Amendments to Accounting for PP&E: Multi-Use Heritage Assets (amends SFFAS's 6 and 8) **[undergoing final OMB clearance procedures]**
- SFFAS 17 Accounting for Social Insurance (not applicable to the Department)
- SFFAS 18 Accounting for Direct Loans and Loan Guarantees (amends certain standards in SFFAS 2) **[effective FY 2001] [undergoing a 90 day review by FASAB principals]**

The above FASAB documents can be downloaded from the following Internet address:

<http://www.financenet.gov/financenet/fed/fasab/concepts.htm>

OMB Bulletin No. 97-01, as Amended

The financial statements should be in conformity with Office of Management and Budget (OMB) Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended by OMB Memorandum M-99-03, *Technical Amendments to OMB Bulletin No. 97-01*, dated November 20, 1998, and OMB Memorandum M-00-05, *Technical Amendments to OMB Bulletin No. 97-01*, dated January 7, 2000.

The version of OMB 97-01 that reflects the revisions of OMB Memorandum M-99-03 can be downloaded from the following Internet address:

<http://www.whitehouse.gov/OMB/memoranda/9701.html>

The technical amendments to OMB 97-01 of OMB Memorandum M-00-05 have not yet been incorporated into the body of OMB 97-01. OMB Memorandum M-00-05 can be downloaded from the following Internet address:

<http://www.whitehouse.gov/OMB/memoranda/>

OFM **requires** that bureaus include intra-governmental related footnote disclosures and Required Supplementary Information data that OMB 97-01 only requires at the agency level. The bureau requirements are included in the *Notes to the Principal Statements* and *Required Supplementary Information* sections of this Attachment. Accordingly, bureau auditors will perform audits or other procedures for which the Office of the Inspector General will rely upon for its audit of the Department's financial statements.

Audit Adjustments: The final financial statements shall contain all audit adjustments.

Immaterial Amounts: To ensure completeness of the Department's financial statements and avoid variances between FACTS and the financial statements, please include in your financial statements all amounts included in your trial balances. For example, if one of your funds has \$10 thousand of "Accounts Receivable-Gross" and (\$10) thousand of "Allowance for Loss on Accounts Receivable," please include or disclose these amounts even though they are immaterial and net to zero.

Rounding: Line items must be rounded to the nearest thousand dollars. Line items should foot to the subtotals and totals shown.

Financial Statements Package: The financial statements for each bureau will consist of:

- (a) *Auditor's Reports*
- (b) *Management's Comments to Findings and Recommendations (optional)*
- (c) *Principal Statements*
- (d) *Notes to the Principal Statements*
- (e) *Required Supplementary Stewardship Information (RSSI) (if applicable)*
- (f) *Required Supplementary Information (RSI)*
- (g) *Other Accompanying Information (if applicable)*

Specific OFM Requirements of the Bureaus and Areas of Emphasis

A reconciling item between the Department's financial statements and the FACTS submissions is the intra-bureau eliminations. OFM needs to know the amounts of intra-bureau eliminations reflected in the bureaus' financial statements. Accordingly, Consolidating Statements must include an "Intra-Bureau Eliminations" column. If there are no intra-bureau eliminations, include the "Intra-Bureau Eliminations" column with zero amounts reported.

Principal Statements

Trial Balances: All the principal statements should be prepared from Standard General Ledger (SGL) trial balances. Bureaus are required to provide to OFM, along with their draft and final financial statements, copies of their pre-closing SGL trial balances (for each Appropriation Symbol) as of September 30. Additionally, a consolidated trial balance of all the Appropriation Symbols, while not required, will be appreciated.

Treasury SGL Crosswalks to the Financial Statements

Each principal statement should be prepared based on Treasury's most recently issued FY 2000 or FY 2001 Form and Content Crosswalks for the financial statements. Bureaus must notify OFM of any line items that are not calculated based on Treasury's Crosswalks.

In April 2000, Treasury issued Transmittal Letter No. S2-00-01, which includes Treasury's most recently issued (April 2000) FY 2000 Form and Content Crosswalks. These crosswalks can be downloaded from the following Internet address: <http://www.fms.treas.gov/ussgl>. Under the "Official TFM Releases & Updates" heading, double-click "Effective FY 2000." Future Treasury updates/revisions to the FY 2000 Form and Content Crosswalks will also be posted to this Internet site; double-click "Interim Updates." OFM will monitor Treasury's Internet site and notify bureaus when Treasury issues an updated/revised crosswalk.

Balance Sheet

Bureaus may present a Consolidated or Consolidating statement as the principal Statement. If a Consolidated Balance Sheet is presented, OFM also requires that the bureau include a Consolidating Balance Sheet in the Other Accompanying Information section. However, if a bureau does not have any intra-bureau eliminations for the Balance Sheet, a disclosure in the footnotes stating this, in lieu of presenting a Consolidating Balance Sheet, is acceptable.

Per OMB 97-01, bureaus must distinguish between Entity Assets and Non-Entity Assets on the Balance Sheet or have a separate footnote disclosing Non-Entity Assets. If all assets are Entity Assets, please either label assets as Entity Assets on the Balance Sheet or disclose in the footnotes that all assets are Entity Assets.

Per OMB 97-01, bureaus must also distinguish between Liabilities Covered by Budgetary Resources and Liabilities Not Covered by Budgetary Resources on the Balance Sheet or have a separate footnote disclosing the Liabilities Not Covered by Budgetary Resources.

To ensure that each line item on the Department-wide Balance Sheet is accurate, bureaus must include the following applicable line items on their Balance Sheets, or, if included in an "Other" line item on the bureau's Balance Sheet, then report the line item in a footnote:

ASSETS**Intra-governmental:**

Fund Balance with Treasury
Accounts Receivable, Net
Investments in Treasury Securities, Net
Advances and Prepayments
Other

With the Public:

Cash
Investments, Net
Accounts Receivable, Net
Notes Receivable, Net
Loans Receivable and Related
Foreclosed Property, Net
Inventory, Materials, and Supplies
General Property, Plant, and Equipment, Net
Advances and Prepayments
Other

LIABILITIES**Intra-governmental:**

Accounts Payable
Debt
Other Liabilities:
Accrued Payroll and Benefits (benefits portion)
Accrued FECA Liability
Resources Payable to Treasury
Contingent Liabilities
Unearned Revenue (Advances)
Customer Deposits
Other

With the Public:

Accounts Payable
Debt
Loan Guarantee Liability
Federal Employee and Veterans' Benefits:
Actuarial FECA Liability
NOAA Corps Retirement System Liability
NOAA Corps Retirement Health Benefits Liability
Environmental Cleanup Costs Liabilities
Other Liabilities:
Accrued Payroll and Benefits (payroll portion)
Accrued Annual Leave
ITA Foreign Service Nationals' Separation Pay
Capital Lease Liabilities
Contingent Liabilities
Unearned Revenue (Advances)
Customer Deposits
Other

Statement of Net Cost

Bureaus are required to present a Consolidating Statement of Net Cost. Bureaus shall include a "Combined Totals" column, which should agree to the Combined Net Cost of Operations presented on the Statement of Financing.

The costs in the Statement of Net Cost should be reported as "Intra-governmental" or "With the Public" based on from whom the good/services were acquired. For example, if a bureau purchases goods from another Federal agency, the costs would be classified as "Intra-governmental."

Bureaus are required to report their costs and earned revenues by Bureau Goal. The agreed-upon Bureau Goals are shown on Attachment B, Exhibit 8.

Imputed Costs (and related Imputed Financing): As stated in an April 12, 1998 OMB memorandum (**Exhibit 1**), until OMB provides further guidance, Imputed Costs included on the Statement of Net Cost (and the related Imputed Financing included on the Statement of Changes in Net Position) are limited to the following four areas:

- Employees' pension benefits
- Health insurance, life insurance, and other benefits for retired employees
- Other post-employment benefits for retired, terminated, and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers compensation under the Federal Employees Compensation Act (FECA)
- Losses in litigation proceedings (Judgment Fund transactions)

Cost Assignments

Cost assignments should be performed by one of the following methods, in order of preference:

- (a) directly tracing costs wherever feasible and economically practical; or
- (b) assigning costs on a cause-and-effect basis; or
- (c) allocating costs on a reasonable and consistent basis

When deciding on a cost assignment method, you should consider using similar or compatible cost accounting processes throughout your component units to facilitate comparisons and consolidation of cost information. Once you decide on a cost assignment method(s), it is extremely important to document your method(s). Documentation of your methodologies provides that timely, reliable data is obtained, maintained, and fairly disclosed in your reports. At a minimum, cost allocation calculations need to be fully documented so that a clear audit trail is established. Further, documentation of the cost allocation calculations is needed to prepare the reports in a consistent manner for future periods and to support the Department's system of internal controls. As a reminder, you need to be prepared to justify your reporting of Costs Not Assigned to Programs.

The imputed costs for pensions, health insurance, life insurance, and other benefits for retired employees should be assigned to responsibility segments and programs/bureau goals using a methodology that tracks the assignment of personnel costs.

The imputed costs for program-related Judgment Fund costs should be directly charged to the applicable responsibility segments and programs/bureau goals. The imputed costs for employee-related Judgment Fund costs should be assigned to responsibility segments and programs/bureau goals using a methodology that is consistent with the assignment of personnel costs.

Statement of Changes in Net Position

Bureaus are required to present a Consolidating Statement of Changes in Net Position.

Net Position-Beginning of Period should equal the Net Position-End of Period from the prior year's financial statements. Any adjustments to the beginning Net Position should be reported as a Prior Period Adjustment.

Statement of Budgetary Resources

Audited Statement of Budgetary Resources: Bureaus may present a Combined or Combining statement as the principal Statement. Bureaus should disclose in the Notes that the statement is combined or combining, and as such, intra-entity transactions have not been eliminated.

Pilot Project: Bureaus shall submit to OFM a Consolidating Statement of Budgetary Resources. The consolidating statement must have at least the following three columns: Combined Totals; Intra-Bureau Eliminations; Consolidating Totals. If your bureau does not have any intra-bureau eliminations for the Statement of Budgetary Resources, in lieu of submitting a consolidating statement, please advise your bureau liaison in writing of this.

Statement of Financing

Audited Statement of Financing: Bureaus may present a Combined or Combining statement as the principal Statement. Bureaus should disclose in the Notes that the statement is combined or combining, and as such, intra-entity transactions have not been eliminated.

Pilot Project: Bureaus shall submit to OFM a Consolidating Statement of Financing. The consolidating statement must have at least the following three columns: Combined Totals; Intra-Bureau Eliminations; Consolidating Totals. If your bureau does not have any intra-bureau eliminations for the Statement of Financing, in lieu of submitting a consolidating statement, please advise your bureau liaison in writing of this.

Statement of Custodial Activity: Bureaus with custodial activity are required to submit a Statement of Custodial Activity to OFM, even if the custodial activity is immaterial to the bureau. If the custodial activity is immaterial, the bureau may omit the Statement of Custodial Activity from its audited financial statements.

Notes to the Principal Statements

OFM's goal is full compliance with the OMB 97-01 instructions for the Department's footnotes, and the Department's footnotes will closely conform to the format included in OMB 97-01. Accordingly, please use the OMB 97-01 table formats and include all applicable disclosures included in the OMB 97-01 instructions. As previously mentioned, please include immaterial amounts in your tables to ensure the completeness of the Department's footnotes and to avoid variances between the Department's financial statements and FACTS submissions.

The Notes should contain all necessary disclosures to make the principal statements informative and not misleading. The Notes are an integral part of the financial statements.

Summary of Significant Accounting Policies

Assuming the bureau's financial statements were prepared in conformity with GAAP (i.e. SFFAC's, SFFAS's) and OMB 97-01, please disclose that your financial statements were prepared in conformity with GAAP and OMB 97-01. This audited disclosure will support a similar disclosure in the Department's financial statements.

Per OMB 97-01, include a summarization of "the accounting principles and methods of applying those principles that management has concluded are the most appropriate for presenting fairly the entity's significant assets, liabilities, net cost of operations, changes in net position, and budgetary resources."

Other Liabilities: Disclosure of Current and Non-Current Portions

The OMB 97-01 instructions for the Other Liabilities footnote require the disclosure of the current portion of Other Liabilities covered by budgetary resources. Current liabilities are those expected to be paid or liquidated within the fiscal year following the reporting date (September 30). Other Liabilities is defined in OMB Memorandum M-00-05, *Instructions for the Balance Sheet*. Furthermore, SFFAS 1, p. 216 (*Other Current Liabilities*, paragraph 86) requires the disclosure of current liabilities not covered by budgetary resources.

Accordingly, bureaus are required to disclose the current and non-current portion of each of the following Other Liabilities of the Department:

Intra-governmental:

- Accrued Payroll and Benefits (benefits portion)
- Accrued FECA Liability
- Resources Payable to Treasury
- Contingent Liabilities
- Unearned Revenue (Advances)
- Customer Deposits
- Other

With the Public:

- Accrued Payroll and Benefits (payroll portion)
- Accrued Annual Leave
- ITA Foreign Service Nationals' Separation Pay
- Capital Lease Liabilities
- Contingent Liabilities
- Unearned Revenue (Advances)
- Customer Deposits
- Other

Disclosures related to the Statement of Net Cost

Memorandum M-00-05, *Technical Amendments to OMB 97-01*, page 20, requires disclosures only at the agency level. However, as previously discussed, OFM requires that some or all bureaus also include these disclosures, as follows:

- *Gross Cost and Earned Revenue by Budget Functional Classification*
This disclosure is required for those bureaus that have more than one Budget Functional Classification.
- *Intra-governmental Gross Cost and Earned Revenue by Budget Functional Classification*
All bureaus are required to include this disclosure.

Please ensure that a) the intra-governmental gross cost reported agrees with the Statement of Net Cost and the Final FY 2000/2001 Intra-governmental Transaction Summary Report; and b) the intra-governmental earned revenue reported agrees with the Final FY 2000/2001 Intra-governmental Transaction Summary Report.

Operating Leases

To ensure the consistency of the Department-wide footnote for Operating Leases, OFM requires that bureaus include the following for **payments to General Services Administration (GSA) under real property leases**:

Description of Lease Arrangements - Rent Payments to GSA for Real Property

Real property leases with GSA are administered by GSA under different circumstances, depending on whether the property rented is Federally owned or non-Federally owned. Bureaus are required to include an adequate description of its arrangements with GSA (or with GSA indirectly, through the Department's Office of the Secretary).

Future Payments Due - Rent Payments to GSA for Real Property

Include the bureau's **estimated** rent payments to GSA for the next five fiscal years. **The estimated rent payments should be the bureau's best estimate of what it will pay GSA for the next five fiscal years regardless of any lease expiration dates.** For example, if a lease agreement with GSA expires in April, 2001 but the bureau expects to renew the lease, the bureau should include the estimated rent payments for the full five fiscal years.

NOTE: Since real property agreements with GSA are cancelable, disclosure of cancelable GSA rent payments is not required by OMB 97-01. However, since rent to GSA is significant, OFM believes disclosing the **estimated** real property rent payments to GSA for the next five fiscal years is appropriate.

Disclosures Related to the Statement of Budgetary Resources

In the Department's footnotes, the components of the line item "Adjustments" in the first section of the Statement of Budgetary Resources will be shown. Accordingly, please include in your footnotes (or separately provide this information to OFM by e-mail) the components of this line item.

We would like to stress that the **total** Undelivered Orders at September 30 is required to be disclosed per OMB 97-01. The total Undelivered Orders include those from Appropriated Funds as well as from other fund types such as Revolving Funds.

Required Supplementary Stewardship Information (RSSI): For applicable bureaus, see OMB 97-01, as amended, SFFAS 8, SFFAS 11, and SRAS 16. (SFFAS 11 and SRAS 16 include amendments to SFFAS 8)

Required Supplementary Information (RSI)

Bureaus with custodial activity are **not** required to include the custodial activity information, due to the immateriality of the custodial activity.

Bureaus are required to include the following in RSI:

- **Management's Discussion and Analysis (MD&A) –**

Minimum Requirements per SFFAS No. 15: Bureaus are required to include the following sections:

Mission and organizational structure - per SFFAC 3, this section should contain a brief description of the bureau's mission(s) and organizational structure.

Performance goals, objectives, and results - per SFFAC 3, this section should answer the following questions:

1. What do we need to know to gauge operating success?
2. How do we measure what we accomplished?
3. What do the measurements show?

Financial statements - per SFFAC 3, this section should address the following questions:

1. What is the entity's financial position? What is its financial condition? How did this come about?
2. What are the significant variations: from prior years; from the budget; from performance plans, long-term plans, or other relevant plans?
3. What is the potential effect of these factors, of changed circumstances, and of expected future trends?

Systems, controls, and legal compliance - per SFFAC 3, this section should tell the reader whether internal accounting and management controls are adequate to ensure that:

1. Transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and are recorded in accordance with Federal accounting standards.
2. Assets are properly acquired and used, safeguarded to deter theft, accidental loss or unauthorized disposition, and fraud.
3. Performance measurement information is adequately supported.

Forward-looking information - MD&A should include forward-looking information regarding the possible future effects of the most important *existing*, currently-known demands, risks, uncertainties, events, conditions and trends. It may also include forward-looking information about the possible effects of *anticipated* future demands, events, conditions and trends. **(NOTE: This can be a separate section or can be incorporated with the sections listed above.)**

Important problems/actions - MD&A should discuss important problems that need to be addressed, and actions that have been taken or planned. **(NOTE: This can be a separate section or can be incorporated with the sections listed above.)**

OFM will also issue separate data call(s) for the Department's Accountability Report. Please see Attachment D for instructions and guidance.

- **Intra-governmental Related Information**

Memorandum M-00-05, *Technical Amendments to OMB 97-01*, pages 3 - 7, requires disclosures only at the agency level. However, as previously discussed, OFM requires that **all** bureaus also include these disclosures, as follows:

- Intra-governmental Assets by Trading Partner
- Intra-governmental Liabilities by Trading Partner
- Intra-governmental Non-Exchange Revenue Transferred In and Transferred Out, by Trading Partner
- Intra-governmental Earned Revenue from Trade Transactions, by Trading Partner; and, the Gross Cost of Goods, Services, and Other Transactions which Generated the Intra-governmental Earned Revenue, by Budget Functional Classification

Please ensure that the intra-governmental amounts reported agree with a) the applicable intra-governmental line items/totals in the principal financial statements or footnote for the Statement of Net Cost (Intra-governmental Earned Revenue); and b) the Final FY 2000/2001 Intra-governmental Transaction Summary Reports.

Please ensure that each trading partner listed corresponds to a valid Department Code. See **Attachment C, Exhibit 4** for a list of Department Codes.

For Intra-governmental Assets and Intra-governmental Liabilities, bureaus are required to list **all** trading partners. Please do not group any trading partners into an "Other" trading partner.

- **Combining Statement of Budgetary Resources by Major Budget Account**

See revised OMB 97-01, *Required Supplementary Information*, page 78

- **Segment Information**

See revised OMB 97-01, *Required Supplementary Information*, pages 78 - 79.

- **Deferred Maintenance**

See Memorandum M-00-05, *Technical Amendments to OMB 97-01*, page 3

Other Accompanying Information: As previously discussed under the Balance Sheet requirements, if a bureau presents a Consolidated Balance Sheet as the principal statement, and the bureau has intra-bureau eliminations for its Balance Sheet, the bureau is also required to present a Consolidating Balance Sheet in Other Accompanying Information.

III. Fluctuation Analysis of the Principal Financial Statements

OFM is required to perform year-to-year fluctuation analyses of each line item of the Department-wide principal financial statements, and provide these analyses to OIG for its audit. Additionally, the Department must include a discussion of financial trends in its Accountability Report. For OFM to be able to meaningfully analyze fluctuations and financial trends, explanations for significant fluctuations within bureaus are needed. **Bureaus are required to submit to OFM a fluctuation analysis (current to prior year) along with and for each of the final principal statements listed below. The fluctuation analyses shall list each financial statement line item from the bureau's current-year and prior-year financial statements. Bureaus are required to explain financial statement line items that increased or decreased by 10% or more from the prior year where the increase or decrease is \$5 million or more.**

- Balance Sheet - See **Exhibit 2** for the required format
- Statement of Net Cost - See **Exhibit 3** for the required format. Explanations are only required for the following line items, AND only if the increase/decrease is 10% or more and \$5 million or more.
 - For each Bureau Goal: "Total Costs" and "Less Earned Revenue"
 - "Costs Not Assigned to Programs"
 - "Less Earned Revenue Not Attributed to Programs"
- Statement of Changes in Net Position - see **Exhibit 4** for the required format.
- Statement of Budgetary Resources - see **Exhibit 5** for the required format.

IV. Audits of the Financial Statements

Audits of financial statements are performed by the Office of the Inspector General (OIG), or by an independent contractor to OIG, in accordance with Generally Accepted Government Auditing Standards (GAGAS). The auditor will submit an audit report to the head of the reporting entity. If the auditor considers it necessary to communicate other conditions not included in one of the required audit reports, a management letter may be prepared and submitted with, or following, the audit report.

OFM encourages program and financial management staff to work closely and cooperatively with the auditors. At OFM, this approach has not only proven to be the most effective way to prepare and audit financial statements, but it is the method most likely to bring about needed improvements in the financial practices of the Department. Issues may arise during these audits, and it is of the utmost importance that they be resolved in a timely manner. OFM stands ready to work with program and financial managers, OIG, and contract auditors to resolve problems and issues as they arise.

Physical Inventories: Bureaus must notify OIG, their auditors, and their bureau liaison when their physical inventory counts (full or partial) for a) General Property, Plant, and Equipment; and b) Inventory, Materials, and Supplies are scheduled. This is necessary so an independent observer can be present at the inventory counts. Bureaus should provide notice to the auditors as soon as the date is set, to ensure adequate time for scheduling.

Federal Financial Management Improvement Act of 1996 (FFMIA): Section 803 (b)(1) of FFMIA requires that auditors include in their financial statement audits a report on compliance with FFMIA. GAO has issued the "Framework for Federal Financial Management System," May 1998, which includes a series of checklists that can help bureaus understand what is expected of their systems under FFMIA. In addition, an understanding of the checklists will aid the audit process, since these checklists document what the auditors will be looking for to attest to the Department's compliance with FFMIA. Managers are encouraged to use these checklists, which can be downloaded from GAO's website at <http://www.gao.gov/>. Click on Other Publications, and then click on Accounting and Financial Management.

V. Distribution of the Annual Financial Statements.

Once audited financial statements are transmitted to the Director of OMB by the bureau CFO, finance officers may distribute copies of audited or unaudited financial statements to outside officials and interested parties, subject to the following:

- If the financial statements are audited and are designated as such, all three sections of the auditor's reports must be included with any financial statements distributed to outside officials and interested parties.
- Each page of unaudited financial statement must carry a clear label for the reader that the financial statement is "unaudited."

VI. Key Dates for Submission of FY 2000 Financial Statements

Due Dates	Description of Action
June 16, 2000	Bureaus submit to OFM their interim financial statements as of March 31, 2000
June 30, 2000	Bureaus that are not SGL compliant submit to OFM a crosswalk from their general ledger accounts to the SGL accounts.
July 31, 2000	OFM provides bureaus with the Department's proforma FY 2000 financial statements and the format for the bureaus' FY 2000 Account Grouping Worksheets.
July 31, 2000	FOs notify OIG, auditors, bureau liaison of scheduled inventory counts or as soon as dates are known.
Dec. 1, 2000	FOs provide auditors and OFM with draft financial statements, pre-closing trial balances (OFM only), and signed Tie-Points Form (OFM only).
Dec.29, 2000	Auditors end bureaus' fieldwork.
Jan. 12, 2001	FOs submit to OFM final financial statements (including auditor's adjustments), fluctuation analyses, and pre-closing trial balances.
Jan. 17, 2001	FOs submit to OFM signed Tie-Points Form for final financial statements.
Feb. 5, 2001	Pilot: FOs submit Consolidating Statements of Budgetary Resources and Financing to OFM

VII. OFM Point of Contact

Questions related to Attachment A can be directed to:

Tony Akande
 14th & Constitution Avenue, NW
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 Washington, DC 20230
 Tel. (202) 482-0239 Fax: (202) 482-1992 or 5070
 Beyond Mail: Tony Akande@OFPA@OFM
 Internet: Takande@doc.gov

OMB Memorandum Regarding Imputed Costs

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503**

Office of Federal
Financial Management

April 2, 1998

MEMORANDUM FOR CHIEF FINANCIAL OFFICERS AND INSPECTORS GENERAL

FROM: G. Edward DeSeve
Controller

SUBJECT: Technical Guidance for the Implementation of Managerial Cost Accounting
Standards for the Federal Government

Statement of Federal Financial Accounting Standard (SFFAS) No.4 directs the Office of Management and Budget (OMB) to identify specific inter-entity costs for entities to begin recognizing, and issue guidance for recognizing those costs. This memorandum provides the current status of and interim guidance on implementing the standard.

The OMB recognizes that there are a variety of inter-entity transactions among agencies and numerous kinds of inter-entity costs. Further research and consultation are necessary to identify specific categories of inter-entity costs that meet the SFFAS No.4 requirements. Thus, the Accounting and Auditing Policy Committee will soon set up a special project to study inter-entity cost and gather information from agencies. The OMB will work closely with the AAPC to develop effective guidance.

At the same time, the OMB believes that we can make significant progress toward meeting the full cost standard by recognizing several major categories of costs that are incurred by a reporting entity but paid by other entities. Thus, for financial statements covering fiscal years 1998 and 1999, reporting entities are required to recognize the following costs, including the portions that are funded through the OPM, DoD, Treasury, DoL, or other agencies: 1) employees' pension benefits, 2) the health, life insurance, and other benefits for retired employees, 3) other post-employment benefits for retired, terminated, and inactive employees, which include severance payments, training and counseling, continued health care, and unemployment and workers compensation under the Federal Employees' Compensation Act, and 4) losses in litigation proceedings (see (FASAB interpretation No.2 Accounting for Treasury Judgment Fund Transactions) Moreover, to ensure consistency, agencies should not recognize costs other than those listed until OMB provides further guidance.

In accounting for the listed costs, reporting entities should refer to relevant Statements of Federal Financial Accounting Standards and Interpretations, such as SFFAS Nos. 4 and 5 and interpretation No.2 OMB Bulletin No. 97-01, and the Standard General Ledger for guidance. Reporting entities should also consult with the funding and administering agencies, such as OPM, for information needed to calculate the costs, such as pension benefit cost factors.

Questions concerning this memorandum should be directed to James Short, OMB, at (202) 395-3124.

Sample FY 2000/2001 Fluctuation Analysis - Balance Sheet

Bureau Name
Fluctuation Analysis - FY 2000 vs. FY 1999
Balance Sheet

	<u>FY 2000</u>	<u>FY 1999</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>	<u>Explanation/Comments</u>
ASSETS					
Entity:					
Intragovernmental:					
Fund Balance with Treasury					
Investments, Net					
Accounts Receivable, Net					
Interest Receivable					
Advances and Prepayments					
Other					
With the Public:					
Investments, Net					
Accounts Receivable, Net					
Interest Receivable					
Notes Receivable					
Loans Receivable and Related					
Foreclosed Property, Net					
Advances and Prepayments					
Cash and Other Monetary Assets					
Inventory, Materials & Supplies,					
Net					
General Property, Plant and					
Equipment, Net					
Other					
Total Entity Assets					

Additional Explanation/Comments:

Non-Entity Assets (if shown on Balance Sheet):
 SAME FORMAT AS ABOVE

Total Assets

LIABILITIES
 SAME FORMAT AS ABOVE

NOTE: The line items included will be each line item shown on the bureau's current-year and prior-year Balance Sheet.

Sample FY 2000/2001 Fluctuation Analysis - Statement of Net Cost

Bureau Name
Fluctuation Analysis - FY 2000 vs. FY 1999
Statement of Net Cost

TOTAL COSTS AND EARNED REVENUE BY BUREAU GOAL:

	<u>FY 2000</u>	<u>FY 1999</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase Decrease</u>	<u>Explanation/Comments</u>
Bureau Goal No. 1					
Intragovernmental	\$XXX	\$XXX	\$XXX	%	
With the Public	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	%	
Total Costs	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	%	Explanation if required
Less Earned Revenue	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	%	Explanation if required
Net Program Costs	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	%	
Bureau Goal No. 2					
Intragovernmental	XXX	XXX	XXX	%	
With the Public	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	%	
Total Costs	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	%	Explanation if required
Less Earned Revenue	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	%	Explanation if required
Net Program Costs	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	%	
Cost Not Assigned to Programs	XXX	XXX	XXX	%	Explanation if required
Less Earned Revenue not Attributed to Programs	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	%	<u>Explanation if required</u>
NET COST OF OPERATIONS	<u>\$XXX</u>	<u>\$XXX</u>	<u>\$XXX</u>	%	

Additional Explanation/Comments:

NOTE: The line items included will be each line item shown on the bureau's current-year and prior-year Statement of Net Cost.

Sample FY 2000/2001 Fluctuation Analysis - Statement of Changes in Net Position

Bureau Name
Fluctuation Analysis - FY 2000 vs. FY 1999
Statement of Changes in Net Position

	<u>FY 2000</u>	<u>FY 1999</u>	<u>Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>	<u>Explanation/Comments</u>
Net Cost of Operations					
Financing Sources:					
Appropriations Used					
Other Non-Exchange Revenue					
Donations					
Imputed Financing					
Transfers-In					
Transfers-Out					
Other					
Net Results of Operations					
Prior Period Adjustments					
Net Change in Cumulative Results of Operations					
Increase (Decrease) in Unexpended Appropriations					
Change in Net Position					

Additional Explanation/Comments:

NOTE: The line items included will be each line item shown on the bureau's current-year and prior-year Statement of Changes in Net Position.

Sample FY 2000/2001 Fluctuation Analysis - Statement of Budgetary Resources

Bureau Name

Fluctuation Analysis - FY 2000 vs. FY 1999

Statement of Budgetary Resources

		Increase	Percentage	
		Increase	Increase	
	<u>FY 2000</u>	<u>FY 1999</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
				<u>Explanation/Comments</u>
BUDGETARY RESOURCES				
Budget Authority				
Unobligated Balances - Beginning of Period				
Net Transfers Prior Year Balance, Actual				
Spending Authority from Offsetting				
Collections				
Adjustments				
Total Budgetary Resources				
STATUS OF BUDGETARY RESOURCES				
SAME FORMAT AS ABOVE				
OUTLAYS				
SAME FORMAT AS ABOVE				

Additional Explanation/Comments:

NOTE: The line items included will be each line item shown on the bureau's current-year and prior-year Statement of Budgetary Resources.

Financial Statements/FACTS Tie-Points for FY 2000/2001

>Financial Statement Checks

- Net Position on BS agrees with Ending Net Position on St. of CNP
- Beginning Net Position on St. of CNP agrees with Net Position on prior year's BS
- Net Cost of Operations on St. of CNP and St. of Fin agrees with St. of NC
- Obligations Incurred, and Spending Authority for Offsetting Collections and Adjustments on the St. of Fin agree with St. of BR
- Imputed Financing on St. of Fin agrees with St. of CNP
- Amounts in Footnotes agree with amounts reported on the face of the FS

>Intra-governmental TSR Checks

- Intra-governmental Assets & Liabilities on Intra-governmental TSR = Intra-governmental Assets & Liabilities in:
BS
RSI
FACTS
- Intra-governmental Earned Revenues & Costs on Intra-governmental TSR = Intra-governmental Earned Revenues & Costs in:
St. of NC (Costs only)
Footnotes (Intra-governmental Gross Cost and Earned Revenues by BFC)
FACTS
- Departmental Code 13 on Intra-governmental TSR = Intra-Commerce TDR (includes both Intra-Commerce and Intra-bureau transactions)

>Intra-Commerce TDR Checks

- Intra-bureau Assets & Liabilities included in Intra-Commerce TDR = Intra-bureau Eliminations Column on the Consolidating BS
- Intra-bureau Earned Revenues & Costs included in Intra-Commerce TDR = Intra-bureau Eliminations Column on the St. of NC
- Intra-bureau Budgetary Accounts included in Intra-Commerce TDR = Intra-bureau Eliminations Column on the St. of BR and St. of Fin

>FACTS Checks

- Public and Intra-governmental Costs in FACTS agree with St. of NC
- Department Codes 16 (DOL), 20 (Treasury) and 24 (OPM) are consistent with the DOL, Treasury and OPM confirmation forms submitted to OFM
- Account 3100 – Unexpended Appropriations agrees with BS
- Account 3310 – Cumulative Results of Operations agrees with Cumulative Results of Operations on prior year's BS
- FACTS Account Grouping Worksheets agree with FACTS submissions and FS

>Comments: _____

Reporting Entity: _____

The above Tie- Points were checked by: _____

Printed Name

Title

Signature

Date